

be resolved. I think it is a dangerous practice to simply say that we will not do it, to describe the situation as throwing our people into the meat grinder.

Mr. President, when America lacks the ability to stand up for human rights, to stand up against abuse of men, women, and children such as we have seen in Bosnia and such as we saw 50 years ago in Europe, when for a long period of time, America was silent while the slaughter went on—Mr. President, we have troops in Korea. They are there to protect democracy. They are at risk. There is some danger that something could go awry and people could get killed or injured, and we do not want that to happen. I want us to have a careful debate about Bosnia. But when America withdraws, as we see what is taking place in Europe, in the old Yugoslavia, where women are routinely raped, where young men are routinely killed, and we stand by doing nothing about it, shame on the free world, shame on America.

I am not talking about troops. A long time ago I felt we should have men supporting the Bosnians by lifting the arms embargo because they were taking a terrible, terrible beating at the hands of a brutal invader. So, Mr. President, I think that as we talk here about the President, about programs, about ridicule, about lack of respect—

Mr. President, I ask unanimous consent that I be permitted 2 more minutes.

The PRESIDING OFFICER. Hearing no objection, it is so ordered.

#### WORKING TOGETHER

Mr. LAUTENBERG. Mr. President, as we discuss where we have to go, the very difficult times in America—we have problems within our society in terms of crime and in terms of race relations, in terms of building our economy for the next century—I can understand people sticking up for their party because there is a separation of beliefs in many cases—in most, certainly. But to stand here to heap abuse on the President of the United States and try to discredit the office by even the terminology that is used to describe the President, I think that it does us no good, that it, in fact, continues to reduce the civility that used to exist here.

I am here 12 years now—almost 13 years. If nothing else, we had our disagreements, but the tone was far more civil. There was far more interaction between the parties. And now what has happened is this has become a political staging ground.

I hope, Mr. President, that we can do away with some of that, work on the problems, work on the budget, on reducing the budget deficit, sticking behind our country; if a decision is made by the Commander in Chief that makes sense in our review, we support it and not simply use it for another opportunity for a political score.

I yield the floor, Mr. President.

#### SENIOR CITIZENS' FREEDOM TO WORK ACT

The PRESIDING OFFICER. By unanimous consent, the Senate will now turn to consideration of S. 1372, which the clerk will report.

The legislative clerk read as follows:

A bill (S. 1372) to amend the Social Security Act to increase the earnings limit, and for other purposes.

The Senate proceeded to consider the bill.

Mr. MCCAIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. MCCAIN. I note the presence of the distinguished Senator from New York. If it is agreeable to him, I would like to proceed with the bill. If he is not ready, we could go into a quorum call.

Mr. MOYNIHAN. Mr. President, I most assuredly am prepared to go to the bill and look forward to the Senator's remarks.

Mr. MCCAIN. I thank the Senator from New York. Before I go into my remarks, I want to thank the Senator from New York for his steadfast support over many, many years of the principle of lifting the earnings test. The Senator from New York was kind enough, in a hearing that we had earlier this year, to point out in his own unique, descriptive style how unfair this is for working seniors. I am appreciative of his understanding of the obstacles that were posed to lifting the earnings test but, at the same time, his support of the concept of doing so.

Mr. President, after 8 years of being involved in this issue of raising the Social Security earnings limit, we have arrived at the moment when seniors will no longer be punished by their Government for being required, often by circumstances beyond their control, to work to support themselves and their families.

We begin debate today on long overdue legislation, the purpose of which is best summarized in the legislation's title, the "Senior Citizens' Freedom To Work Act." Mr. President, this bill is not everything that I wanted it to be. I wanted it to lift the earnings test completely. The scoring of that by CBO would have been prohibitive.

What this bill really does is increase, over a 7-year period, the present earnings cap minimum from today's level of \$11,280 per year to \$30,000 per year. It is over a 7-year period. I will discuss later the factors that motivated us to make it that modest, but primarily it had to do with scoring.

I remind my colleagues that in President Clinton's very important statement during his Presidential campaign book entitled "Putting People First," the President stated, and a direct excerpt reads:

Lift the Social Security earnings test limitation so that older Americans are able to help rebuild our economy and create a better future for all.

That, I think, describes it as well as can be.

Let me also point out, and I will say this time and time again, as I have in the past, this earnings test limitation does not affect wealthy seniors who have trust funds, stocks, pension funds, any other outside income that is not earned income. The only people that are affected by this Depression-era dinosaur are those seniors that go out and work and work because, generally, they have to because of either unforeseen circumstances or the fact that they just simply do not have enough money from their Social Security.

Mr. President, I do not know of a more onerous and unfair tax than that. It would probably astound people to know that if a senior went out to work, that as soon as he or she exceeded \$11,000 per year, for every \$3 that person earned over that limit, they lose \$1 in Social Security benefits. Due to this cap on earnings, the senior citizens, many of whom are existing on low incomes, are effectively burdened with a 33.3-percent tax on their earned income. If you put in Federal, State, and other Social Security taxes, it then mounts up to somewhere between 55 and 65 percent, placing these seniors who are low-income people in the highest tax bracket in America.

I do not want to spend a lot of time going through the history of this, because I have been fighting it, as I said, since 1987. There has always been a reason for not doing it because, one, it was brought up on an appropriations bill, there was no offset, it could not be scored by the CBO, et cetera.

I have always, up until now at least, resisted this business of accepting CBO scoring because it is clear to anyone that if we lift this earnings test, more seniors are going to go to work and more seniors will pay more taxes. So the static scoring idea has never been revealed as being more fallacious than in this type of scoring that goes on.

On September 10, 1992, we had a vote in the Senate on a motion to waive a Budget Act point of order which required a three-fifths vote. There were 51 votes in favor and 42 against.

I want to quote some of those who opposed the motion to waive the Budget Act:

Do not misunderstand us. The idea to raise the earnings test is not a bad idea. We just believe we should pay for raising the limits with offsets or a tax increase.

Another argument was:

We would support Senator MCCAIN's amendment if it were not being offered to an appropriations bill. The Senator is right, we should stop using static models and analysis for economic forecasting. We agree that this amendment would bring additional revenue to the Treasury. Further, we agree with all of the other arguments made by those who favor this bill and who would support this bill if it were freestanding or an amendment to a bill that was not an appropriations bill. Unfortunately, we must urge our colleagues to oppose the motion to waive the Budget Act since it is being offered to an appropriations bill.

So the objections to this legislation in the past were twofold: One, we did not have an offset and, two, it was offered as an amendment to an appropriations bill. I will not go into the obvious reasons why I had to offer it as an amendment to the appropriations bill, but the fact was, I could not get it up as a freestanding bill which I wanted to very much.

Under the static scoring model, which I just described in my view as fallacious, one used by the Congressional Budget Office, this amendment would be scored as costing \$9.92 billion. I disagree with the CBO's determination. However, to rectify this perceived problem, the bill does the following: It would mandate that the interest paid to Social Security funds be increased by 0.25 percent each year for the next 7 years. This would ensure the integrity of the trust funds.

To reimburse the General Treasury, which would make this increased payment, the bill then mandates all nonprotected discretionary programs be cut across the board by a uniform percentage equal to an amount necessary to pay the increased interest.

By using this mechanism, the trust funds are made safe and the cuts necessary to pay for the bill, consistent with CBO's position, are spread fairly across the board. Indeed, CBO has informed us that this legislation's overall impact on the deficit is zero.

The bill also mandates that GAO and the Comptroller General engage in an analysis of the actual effect on the Treasury of raising the earnings test and report to the Congress their findings no later than 2 years after the date of enactment of this act. This study will enable the Congress to react to what actually occurs, not to what CBO analysts speculate.

There is not a shred of doubt in my mind that 2 years from now the GAO will report that there is a greater inflow of revenues to the Treasury as a result of lifting the earnings test. There is no doubt about that in my mind; I have talked to too many seniors. I have talked, interestingly enough, to the CEO of Disney who came to my office one time on another issue and, on the way out, said, "Senator, I understand you are trying to lift the earnings test. Please do so. We want to help you in any way, because the best employees we have at Disney World and Disneyland are"—guess what—"senior citizens."

The people of the McDonald's franchise came to my office and said, "Senator, our best employees—our best employees—our most dedicated employees are senior citizens, but there is no reason for them to work in our establishment because \$1 out of every \$3 they earn is taken away from them, not to mention the additional taxes," as I mentioned.

Mr. President, this issue has been ventilated by me and others for a very long period of time. I want to point out that there may have been an argument

during the Depression when 50 percent of the American work force at least was out of work. It might have made sense to have disincentives for seniors to go to work.

All you have to do is pick up today's newspaper and you will find that there are lots and lots of jobs available all over America. We should not preclude people by virtue of age, and by virtue of age only, from being able to take advantage of those opportunities in our society.

In 1935 when Social Security was created, we lived in a far different country. It is clear that our situation is not the same now. I want to point out, again, seniors who are without private pensions or liquid investments which are not counted as earnings or affluent children to support them often need to work to meet their most basic expenses, such as shelter, food, and health care costs.

I am sure my colleagues all heard warnings that America will confront in the future a labor-shortage. Why should we discourage our senior citizens from meeting that challenge as the U.S. Chamber, which strongly supports this legislation, has pointed out:

Retraining older workers already is a priority in labor-intensive industries, and will become even more critical as we approach the year 2000.

A number of our Nation's most prominent senior organizations strongly support fully repealing the earnings test. This is a minimal test meeting their just, I repeat, just demand. Everybody is in favor of totally repealing it. As I said, that would be my first priority. For the reasons that I stated before, that is just not possible.

My family is very close friends with a family that lives in northern Arizona near where we live. It is a man and his wife. They have a son. They are in the earnings test age bracket. They have a son who recently had a serious illness and had to have an operation, thereby losing his job. That son has a daughter who lives with him.

My friend's wife, Lorraine Luke, had to increase her hours at the hospital transcribing medical information in order to help their son, who is out of work, and their granddaughter. The Luke family sacrificed enormously. She went to work on a 6-day-a-week basis, and guess what, Mr. President? A couple weeks ago, she received a bill from Social Security for \$1,200 because she had exceeded the \$11,000 threshold, and they were demanding that money back—money that they had spent on taking care of their son and their granddaughter.

Mr. President, that story is true throughout America. What happened to the Luke family is what happens many times in the lives of senior citizens. Why we should do this to them and why we have done it for so long, in fact, is a national scandal.

Mr. President, I would like to name the groups who have supported this earnings test reform: Air Force Asso-

ciation, Air Force Sergeants Association, American Health Care Association, Association of the U.S. Army, Enlisted Association of the National Guard, Fleet Reserve Association, Jewish War Veterans, Marine Corps League, Marine Corps Reserve Officers Association, National Association of Uniformed Services, National Association of Temporary Services, National Committee to Preserve Social Security and Medicare, National Council of Chain Restaurants, National Military Family Association, National Restaurant Association, National Society of Public Accountants, National Tooling and Machining Association, National Enlisted Reserve Association, Naval Reserve Association, Navy League of the U.S., Sears Roebuck and Co., the Seniors Coalition, the U.S. Chamber of Commerce, and the list goes on and on.

I would like to quote from a few editorials because virtually every newspaper in America has editorialized on this issue at one time or another.

The Chicago Tribune says:

The skill and expertise of the elderly could be used to train future workers, while bringing in more tax dollars in helping America stay competitive in the 21st century.

The Los Angeles Times says:

As the senior population expands and the younger population shrinks in the decades ahead, there will be an increasing need to encourage older workers to stay on the job to maintain the Nation's productivity.

The Baltimore Sun:

The Social Security landscape is littered with a great irony: While the program is built on the strength of the work ethic, its earnings test actually provides a disincentive to work \* \* \* One consequence of this skewed policy is the emergence of a gray, underground economy—a cadre of senior citizens forced to work for extremely low wages or with no benefits in exchange for being paid under the table.

The Dallas Morning News:

Both individual citizens and society as a whole would benefit from a repeal of the law that limits what Social Security recipients may earn before benefits are reduced.

The Wall Street Journal:

The punitive taxation of the earnings limit sends a message to seniors that their country doesn't want them to work, or that they are fools if they do.

The New York Times:

\* \* \* it is not wrong to encourage willing older adults to remain in the work force.

The Detroit News:

Work is important to many of the elderly, who are living together. They shouldn't be faced with a confiscatory tax for remaining productive.

Mr. President, I would like to read a letter from the AARP [American Association of Retired Persons]. I will read parts of it:

DEAR SENATOR MCCAIN: The American Association of Retired Persons commends you for your sustained leadership on behalf of working Social Security beneficiaries age 65 through 69 who are penalized by the Social Security earnings limit. Our nation needs the skills, expertise and enthusiasm of older workers and raising the current limit would

send a strong message to older Americans that they can work and earn more.

The current limit is too low and should be raised so that moderate and middle income beneficiaries who work out of necessity will be able to improve their overall economic situation. \* \* \*

An increase in the earnings limit is overdue. Over the last several Congresses, either the House or the Senate has passed earnings limit legislation, but it did not become law. As you know, AARP has repeatedly supported earnings limit proposals that were paid for in a responsible manner that was consistent with the Social Security Act and did not increase the "on-budget" deficit. The Association remains committed to raising the earnings limit in a fiscally prudent way and will work with you and others to ensure the earnings limit legislation is adopted with the appropriate financing.

Mr. President, I ask for the yeas and nays on this.

The PRESIDING OFFICER (Mr. GRAMS). Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. McCAIN. Mr. President, before I yield the floor to my distinguished colleague from New York, who has more knowledge on the issue of Social Security than not only any Member of this body, but perhaps any living American—and I know that it has nothing to do with his advanced age—the fact is that the Senator from New York has been extremely helpful on this issue. The Senator from New York understands it, and his support of the concept of lifting the earnings test has been a vital factor in helping this issue to move along. I want thank him for his consistent knowledge and support on this issue.

Mr. President, I yield the floor.

Mr. MOYNIHAN. Mr. President, my colleague and friend from Arizona is more generous than even the hyperbole of the U.S. Senate allows. There are some important issues here.

It is interesting to note that issues such as the Social Security earnings test go far back in our history. Indeed it was raised in 1935. And the gentleman who was brought from the University of Wisconsin by Edwin Witte to be on the staff of the Committee on Economic Security that Francis Perkins established, is still very much with us—the former chief actuary of the Social Security system. He was staff director of the Commission on Social Security that President Reagan organized in 1982, and which included Senator DOLE in 1983. It is amazing, the continuity of the persons who have worked with the original legislation, or were in the original administration, and their wisdom and wit is available to us today.

On Monday, Senator McCAIN and the majority leader introduced S. 1372, a bill to gradually increase the earnings limit to \$30,000 in 2002 for Social Security beneficiaries aged 65 to 69. Under current law the earnings test is projected to increase from \$11,280 for this year to \$14,400 in 2002.

In the past I have supported liberalization of the earnings test, and I will

continue to do so in the future. But I have always insisted that any liberalization of the earnings test should be paid for and should be considered in the context of overall policies on Social Security.

This bill does neither.

Under the bill, discretionary outlays are reduced. But this does nothing for the off-budget OASDI Social Security trust fund as outlays in this account are increased by almost \$10 billion over the next 7 years. So the bill makes use of a budget gimmick. The interest rate received by the trust fund is increased by one-quarter of 1 percent so as to make it appear that the liberalization of the earnings test is paid for.

And the bill is being considered—on the floor of the Senate, without having been referred to the Committee on Finance. This prevents us from taking into account the other important issues involved in the longrun financing of the Social Security system.

If we want to liberalize the earnings test, this bill should be referred to the Finance Committee where we can have hearings, consider how to pay for it, and how to integrate changes in the earnings test with other Social Security policies.

Let me make clear my support for the concept of increasing the retirement test to about \$30,000. In 1990, I introduced S. 1009, a bill to increase the earnings test to \$24,720 in 1996—roughly comparable to \$30,000 in 2002. But I also paid for that liberalization of the earnings test by increasing the amount of Social Security benefits that would be subject to taxation. While that offset is no longer available, my bill addressed several important issues that are not addressed by the legislation now before the Senate.

First, the liberalization was paid for with offsetting changes in the Social Security program.

Second, the two provisions represented a move toward treating Social Security benefits on a parallel basis with private pensions. Individuals can retire from a company, collect a pension and continue to work in other occupations. And the portion of the private pension not previously taxed—the employer contribution and any accrued interest earnings—is taxed upon receipt of the pension benefit.

Last week, along with every other Member of the Senate, I voted for the Senator from Arizona's sense of the Senate resolution acknowledging the need to raise the Social Security limit. The last clause of that resolution states:

It is the intent of the Congress that legislation will be passed before the end of 1995 to raise the social security earnings limit for working seniors aged 65 through 69 in a manner which will ensure the financial integrity of the social security trust funds and will be consistent with the goal of achieving a balanced budget in 7 years.

I would say to my friend from Arizona, let us do this, but let us do it right. Let us refer this bill to the Finance Committee and make sure we

are indeed "ensuring the financial integrity of the Social Security trust funds."

There are two additional things to be said. First, the earnings limitation is a holdover from the 1930's. When the legislation was adopted the unemployment rate was about 25 percent. We did not have precise data on the unemployment rate and we used extrapolations from the decennial census. We counted everybody. We did not know about sampling. In April 1930, there was not much unemployment. And in April 1940, there was not much unemployment and, therefore, the Depression was not reflected in the unemployment data gathered in the decennial census. People did know that large numbers of workers were unemployed. So the earnings test was meant to discourage older retirees from continuing to work. It was meant to persuade people to leave the work force when they had retired. And that is from another era.

We have had extraordinary success with American economic policy since the Employment Act of 1946. In all those years—a half a century, we have had less than 12 months in which the unemployment rate has been above 10 percent, and that was during the 1981-82 recession.

The object of putting an end to the retirement test is not only appropriate, but it is at hand. In 1983, we did this. We arranged that persons who do work and are subject to the loss of benefits because of the earnings limitation are "made whole," I think that is the usage, after they stop working. We phased in the so-called "delayed retirement credit" so that by 2005 it completely offsets the loss of benefits. Right now, beneficiaries get back about two-thirds of what they lose due to the earnings test.

Why do you not want people to work beyond age 65 or 62? And why does the Government take benefits away and then give most—and by 2005, all—of them back? It is not the Government's business to tell you when you should work and when you should not work if what you are getting are benefits that you have earned.

One problem I have with this measure is that it is not paid for in the mode I would have thought necessary and pretty central as a matter of principle, which is that all Social Security benefits be paid out of a trust fund financed by Social Security revenues—payroll taxes collected under the Federal Insurance Contribution Act (FICA) of 1935.

This is no small matter. We would not be here today—I suspect we might be here—but with a very different Social Security System. At that time, no sooner did a bit of New Deal legislation get enacted, then it would be challenged and end up in the Supreme Court and the Supreme Court would find it unconstitutional.

Frances Perkins, who was very much a person around Washington in the

1960's when I knew her, described the scene in a garden party in 1935 when Harlan Fiske Stone came up to her and said, "What are you up to little lady," and she was a master mistress at getting men to do things for her because she appeared so helpless, and she said, "We have this wonderful plan. It would give people retirement benefits, unemployment insurance, dependent children would get support, all these fine things, but every time we do something like this, great members in the Supreme Court say it is unconstitutional."

He said, "Tell me a little more, if you would." He listened. Then he leaned over and did something no Supreme Court Justice would ever do today. He said, "The taxing power, my dear. All you need is the taxing power."

So my distinguished predecessor, Robert F. Wagner, introduced the bill over here and the people did it over there in the Labor Committees and so forth. The bill that was signed by the President of the United States was introduced by a still obscure Representative from North Carolina who was chairman of the Committee on Ways and Means. It came over here to Finance. We passed it out, and in due time it was challenged, and the Supreme Court looked at it and said, "You say this is a tax. Yes, it is a tax."

"It says here, Article 1, Congress should have the power to lay and collect taxes." That is why this is a Finance Committee legislation. We have always paid for Social Security benefits with FICA revenues.

The measure before us pays for these benefits by an across-the-board reduction in discretionary spending. I think you start at about one-tenth of a percent in fiscal year 1996 and go up to four-tenths of a percent by fiscal year 2002. These are large sums. We have to find about \$10 billion over the next 7 years. We will be financing Social Security benefits from general revenues that are not spent on these discretionary programs.

I have to assume that we will cut education programs. We will cut defense programs. We will cut transportation programs. Those outlay reductions will pay for the transfer of general revenues to the trust funds which pay for the increase in trust fund outlays. But these transfers are artificially created, by an increase of one-quarter of 1 percent above the interest rate received by the trust funds under current practice. The current rate is a blend of the actual rates paid on Treasury Securities with a maturity of more than 4 years.

I do not think we should do that. I think it compromises the insurance principle. It compromises the right of the beneficiary to the benefits that is earned by payments into the fund.

There is a nice story about this. In 1941, a very distinguished professor at Columbia, who had been a member of the President's Committee on Administrative Management—the Brownlow

Committee—that President Roosevelt established in 1937, called on President Roosevelt to say he had been looking around things here and Social Security revenues were coming in now. They were all being posted, as the clerks will say, by Federal clerks with pens and nibs and cardboards, and they put down the 14 cents or the 22 cents that a person earned.

The professor in question called on President Roosevelt and said, "I think that is just a lot of extra paperwork we do not need. This is a pay-as-you-go system. Just collect the money and pay it out and stop all this record keeping, which is really not very essential."

That was Luther Gulick of Columbia University. He lived to the age of 100. He died last year. I called him in upstate New York. He lived on the St. Lawrence River. I went over this recollection with him. His mind was clear as Easter bells and President Roosevelt said to him—you could see Roosevelt doing it: "Now, Luther, I am sure you are right about the administrative matters, but I never thought of those provisions as a matter of administrative efficiency. I wanted every Social Security beneficiary to have a number and have an account so that"—I hope the Senate will forgive this usage because Luther Gulick recorded—"no damn politician can ever take the Social Security benefit away." That is why you have a number. Senator MCCAIN, it is probably your dog-tag number, I would not be surprised. Originally it was not to be used for identification. Now it is. You get them in delivery rooms.

We have never paid out a penny in Social Security benefits that did not represent contributions made to the trust fund. For the longest while, the Federal Government was required to pay both the employer and the employee contributions for members of the Armed Services Committee. They had not done so, and in 1983 we found a big chunk of money that was put in the trust fund.

On that basis, I say we ought not to depart from the principle that entitles you to the money. It is called an entitlement because it is your money. We tax it the way we tax—and we did this in 1993—pension benefits.

You calculate what you paid in, and what you already paid taxes on. Subsequently you pay taxes on the portion that was not taxed—the employer contribution and the interest earnings on your contribution and that of your employer.

So, with the greatest enthusiasm for the enterprise but reservation about the specific financing mechanism, which, in my view, goes to not just a marginal but a central point of the nature of Social Security, I respectfully say I will not support the measure.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. MCCAIN. Mr. President, let me just point out how we would cure this

perceived problem would be to mandate that the interest rate paid on the Social Security funds be increased by .25 percent each year for the next 7 years. This would ensure the integrity of the trust funds, which is the primary goal and overriding concern, obviously.

To reimburse the Treasury, which would make this increased payment, the bill then mandates that all nonprotected discretionary programs be cut across-the-board by a uniform percentage equal to an amount necessary to pay for the increased interest.

As the Senator from New York well knows, we find money around here all the time. It was interesting to me in the last 24 hours of the budget debate we found \$13 billion. I did not find it, but the so-called experts did. I am sure members of Senator MOYNIHAN's staff here, if they were allowed to speak, would describe how they found \$13 billion. We seem to find all this money all the time.

Yet, we are seeking to take care of what is a gross inequity, knowing full well there is no one—I say to the Senator from New York, I challenge him to find someone to tell me that there will not, at the end of the day, be increased revenues into the Treasury because more seniors will go and work. So what we are really talking about here is a way of satisfying some paperwork requirements as far as CBO is concerned, which is dictated by static scoring, when the reality is there is going to be more money coming into the Treasury because seniors will be working.

So I appreciate Senator MOYNIHAN's concern about the mechanism, but I have to tell him we have been wrestling with this particular problem for 9 years that I know of. Every time we try to remove this terrible inequity that exists in our society today, we say we cannot find the money. We obviously do not want to take it out of entitlement programs because we are then robbing Peter to pay Paul. It is kind of a kabuki show here, because we know full well from the GAO reports back to us that the money, after 2 years, will not be required because there will be additional revenues. In fact, the funds for Social Security recipients will be increased because as these people work, they also continue to pay into the Social Security trust fund.

Mr. MOYNIHAN. Mr. President, I do not in the least disagree with the point of the Senator about an increased work effort and therefore increased revenues, including direct revenues to the trust funds. What the actual amounts would be, how actuaries would judge them, is beyond my capacity, but there would be some and they would be not inconsiderable.

Even so, I maintained what might seem to be too purist a view but it is one I hold, that only revenues from the trust fund should be used to pay benefits. We will see what the Senate's wish is.

The principle is correct. The issue can be resolved, the sooner the better. But it is my hapless responsibility to say, not this afternoon.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. McCAIN. I thank the Senator from New York again. By the way, I remind him we had a very interesting hearing on March 1 of this year, where they had several very interesting witnesses including Mr. Meyers, who is another one of those.

Mr. MOYNIHAN. Mr. Meyers who came here in 1934.

Mr. McCAIN. Exactly, the gentleman who probably is really the real corporate knowledge on Social Security, who also at that hearing testified that this earnings test should be raised and that additional revenues would accrue from lifting this earnings test.

I also remind my colleagues it is a fact that \$200 million per year are spent just to monitor the earnings test; in other words, to make sure that everybody who is between age 65 and 69 is penalized properly and does not get away with keeping that \$1 out of every \$3 in their earnings.

So we would dramatically reduce that burden right away and experience an immediate savings of considerable numbers of millions of dollars if we just go ahead and lift it. Because then the Social Security Administration would not have to expend \$200 million on an annual basis for that.

I note the presence of my friend from West Virginia on the floor. I yield the floor.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, I thank my friend, the Senator from Arizona. One of the things which actually is not generally, I expect, known that much is that Medicare as well as Medicaid are part of the Social Security Act that is being discussed, in fact, by the Senator from Arizona. It has to be said that when one looks at what might happen in legislation, what might be the result of a conference, what might be the result of a compromise following a veto by the President, should that happen, there is a lot of speculation about what might happen. But I think one thing which is very, very clear at this point is that what we are doing in the U.S. Senate and what we have done to Medicare, which is a part of the Social Security Act, is extraordinary.

I would like, in fact, to take from my friends from across the aisle the word which they often use when they are discussing Medicare, which comes from the Social Security Act. They talk about reforming Medicare.

I went, as I do every afternoon at 1 o'clock sharp, to my Webster dictionary, and I took out the word for "reform." I ask unanimous consent when I am finished, Mr. President, if I can have this printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. ROCKEFELLER. It says, "a: to amend or improve by change of form or removals of faults or abuses; b: to put or change into an improved form or condition.

"2: to put an end to (an evil) by enforcing or introducing a better method or course of action.

"3: to induce or cause to abandon evil ways," and then they use the example of a drunkard—odd.

"4: to subject (hydrocarbons) to cracking."

I think I better stop there because that is rapidly getting into areas which I cannot be quite so sure of.

Then I also, being the persistent intellectual at 1 o'clock every day, in my Webster's dictionary, I went to the word "raid," because that is what those of us on this side of the aisle use referring to what happens to Medicare in the reconciliation bill. That is described, and I would similarly ask that portion which I read be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. ROCKEFELLER. "Raid" is, "1a: a hostile or predatory incursion; b, a surprise attack by a small force.

"2a: a brief foray outside one's usual sphere; b: a sudden invasion by officers of the law; c: a daring operation against a competitor," and, again, here I think the definition is wandering off into different territory.

But my point, obviously, is what we are contemplating, and what it is, in fact, that we have put forth in reconciliation is not yet accounted for, not yet conferenced with the House, and is nothing less than the "raiding" of Medicare. I assume that there are those who feel very differently about it. But I do not. I feel very strongly about it. I speak as a representative of the State of West Virginia where the average senior income for seniors in general is \$10,700 a year, and 21 percent of that goes already to health care, unless the senior is 84 years old, which increasingly seniors are, in which case it is 34 percent of the \$10,700. You can see, therefore, that the amount of money that is being spent on health care already by Medicare recipients, beneficiaries, is enormous.

So the majority party wants to fix Medicare, to reform it. And they want to do that by cutting \$270 billion from it, they would say to slow the growth by a rate of \$270 billion.

I, incidentally, had responsibility in the 1993 Budget Act, so to speak, for cutting \$56 billion out of Medicare. I never referred to it as "slowing" the rate of reduction. I always referred to it as "making the cut." And I hold to the same language then as now because that is what I believe. It is like, if you had a certain amount of money 3 years ago and you have the same amount of money now, a hip replacement has gone up by 22 percent in cost, you cannot do 84 percent of the hip replace-

ment. You either do the hip replacement and you can pay for it, or you do not have the money for it and you cannot do it at all. So this whole question of rate of growth is one that I will leave for historians to worry about.

But any way you slice it, if you are cutting \$270 billion—and when all the trustees of the hospital insurance trust fund say that you have to cut it \$89 billion—then you come to the obvious conclusion that those who would cut \$270 billion are saving Medicare for a much longer period of time than those who would only cut it by \$89 billion.

But an interesting thing happens. The fact is that, if you cut \$89 billion, as the trustees have recommended publicly in testimony and every other way, Medicare will be solvent until the year 2006. On the other hand, if you cut it \$270 billion, guess until what year Medicare will be solvent? The year 2006, the same year, the same amount of time.

So the whole question then arises, Why cut \$270 billion out if \$89 billion will do the job over the period of the next 10 years? The answer, of course, is in the contract phase of the need for the \$245 billion tax break. I understand that intellectually because, if you are going to get a \$245 billion tax break and at the same time balance the budget in 7 years, you have to get your hand on a whole lot of money, and there is not a whole lot of money in any one pot, except if you go to Medicare, or if you go to Medicaid. Those are the two pots. Those are the two pots that you can go to under reconciliation or a Budget Act, and simply get large amounts of money, if you are of a will to do so.

However, the consequence of what the majority party is doing in the Senate, and has done in the Senate, means that Medicare recipients are going to have to pay enormously more from out-of-pocket expenses—out of their own pocket expenses, and all of this to fund a tax break. There is going to be about \$1,700 less per beneficiary by the year 2002. Deductibles are going to be doubled. Premiums are going to be raised. The eligibility age for Medicare is going to go from 65 to 67 years old, and there will be an enormous amount, I believe, of danger in equality and quantity of health care. Let me explain what I mean.

Putnam County General Hospital, Mr. President, is what I would imagine many hospitals are like in the Presiding Officer's State. It is a rapidly increasing county in terms of its income, and in the sense of upscale county. Its future is unlimited. It has most of the flat land, or a lot of the flat land in West Virginia, and a lot of upper income houses as well as middle-income houses. Yet, when you go to the administrator of that hospital, he will tell you that between 68 percent and 72 percent of his entire revenue stream is paid for not by the newly dynamic wealth of Putnam County, not by private-pay patients, but by Medicare and

Medicaid. He says that if this cut is allowed to stand, that Putnam General Hospital is in severe difficulty. The mathematics make it clear—\$270 billion cut in Medicare, \$187 billion cut in Medicaid, and, hence, real problems for that relatively upscale hospital.

We have a lot of hospitals in West Virginia that do not fit that category. They are in very rural counties. Many shut down some years ago. They depend almost entirely on Medicare or Medicaid for their revenue stream. When I say the "revenue stream," I just simply mean the money they use to pay their doctors, nurses, oxygen, their light bills, and the rest of it.

I believe—I do not really think anybody can make the argument—that the Boren amendment, by which you are meant to pay people much closer to the services that they render, has now been tossed aside. And I believe that doctors, physicians who have been taking care of seniors for many years are—some of them—going to be in the economic position where they will have to simply say on their little shingle, "Dr. So-and-So. But if you are on Medicare, please do not stop here. I cannot afford to treat you. I cannot afford to treat you."

In other words, I believe that doctors will be driven out of the program and Medicare beneficiaries will be turned away.

There is another problem which we, in fact, cured in the Senate. This is the most devastating problem. It came pretty much as news to everybody. But it has not been cured in the House. Therefore, I consider it to be a live neutron bomb just sitting there on the table. It was the majority party's efforts to, in fact, get control of the cost of fee-for-service Medicare. Obviously, some Medicare patients are in HMO's. It is estimated that as much as 20 percent may go into HMO's. But, obviously, the great body of Medicare beneficiaries are in fee-for-service Medicare, and they like that. They like that for one reason—because, by definition, over the years it has always meant one thing, and, that is, they get to go to the doctor of their choice. They get to choose the doctor of their choice, they get to keep the doctor of their choice, and use the doctor of their choice. And that is the central, sacred theme of fee-for-service Medicare.

But until it was taken out in the Senate—I will say that the junior Senator from West Virginia probably had something to do with that by talking about it for about an hour one day several weeks ago—there was this thing called BELT which was a mystery. Nobody had heard of BELT. BELT stands for budget expenditure limit tool.

I am not discussing something in the abstract. We thankfully have taken it out of the Senate's package. But it remains—and in fact a rougher one remains—in the House. So that in the conference, where I always have this worry that the House is going to outdo the Senate because of their fervor—

they appear to be less willing to negotiate, less willing to compromise on both sides than the Senate, so I always worry very much about the conference. So the way this would work would be that the majority party now in the House would assign about a 4 percent, 4.7-percent growth rate to Medicare, the cost of health care in Medicare.

Now, we know that the actual cost of the increase in health care in Medicare is over 7 percent. But if this rate of growth of the cost of health care exceeded 4.7 percent, automatically—automatically—there would be a sequester and there would be automatic reductions, arbitrary in nature but absolute in fact, in key Medicare spending in the following year. The cuts that are specifically listed were inpatient hospital services, home health services, hospital care services, diagnostic tests, physicians' services, outpatient hospital services. As far as I know, that is most of health care. Mental health and other things are not in there, but that is most of health care. There would be, therefore, this sequestration and a ratcheting down so that the so-called fee-for-service concept for the Medicare beneficiary would simply disappear.

It was all hidden in this little piece of paper and still resides in the House. So I am very, very worried about that.

People listening may wonder why I am talking about Medicare. It could be that the Senator from Arizona is sharing some of those thoughts at this particular point. This is why I am talking about Medicare. I am here to use this opportunity to offer an amendment, which I will do but not immediately, to give the Senate yet another chance to walk away from some of the ills that I have been talking about and give it a chance to protect Medicare from the damage that is contemplated in the two versions, the House version and the Senate version, of the majority party's budget, which is, of course, now headed for a conference where, as I indicate, I worry because I think the House's fervor in some areas is in excess.

I will offer an amendment very soon to do just what we have been trying to get a vote on for 3 days but have not been permitted to get a vote on for 3 days. We have been prevented from being able to do this until this opportunity.

As most of my colleagues know, the Senate still needs to appoint conferees to the reconciliation bill so that we can negotiate some of these matters out. It is amazing that conferees have not been appointed, but they have not been appointed. This side can do nothing about that. That has not been done because the majority leader knows that the Members on this side of the aisle have just a few motions to instruct conferees. We only have a few. Of course, the purpose of this is designed to make one last plea for the prevention of damage to Medicare, for real nursing home protection, and one

or two other vital goals. I think there are a total of maybe four or five.

The bill now in the Chamber is a very appropriate place to make the same proposal. So I am here to make sure that when we are on a bill designed to spend billions more on a category of Social Security recipients through the earnings test we first discuss, debate and vote on the question of whether \$270 billion is going to be cut from Medicare or whether that will not be the case and whether 30 million seniors are going to see their premiums increase or not, whether they will be turned away from doctors or whether they will not.

So that is my purpose, and I share that respectfully with my colleague and friend from Arizona, who probably wishes that I had picked another time to do all this. But you do have to consider the fact that in spite of the fact that in West Virginia the average income for seniors is \$10,700, nationally that same figure is only \$17,750.

Most of Medicare spending is for beneficiaries with very modest income, and we have discussed this before, but it bears repeating because I am not sure how far out there into the public this has gotten. Sixty percent of those with incomes of less than \$15,000; 83 percent of those with incomes less than \$25,000; 97 percent of those with incomes less than \$50,000.

This is a Medicare beneficiary population that we are talking about. As I have indicated, seniors already spend more of their income on health care in 1994 than anything else—21 percent. Nonsenior households, interestingly, only spend about 8 percent of their income on health care. Private insurance grew at a faster rate, almost 10 percent, than Medicare spending, which was about 7.7 percent, from 1984 to 1993.

Under the Republican plan, as I indicated, Medicare will be squeezed to a growth rate of 4.9 percent—I believe I said 4.7; I correct myself—4.9 percent per person while private health insurance will continue to grow at over 7 percent per person over the next 7 years, relegating seniors to a second-rate, second-class health care system.

My amendment will be a final opportunity for the Republicans in the Senate to defend—not raid but defend—the Medicare trust fund from a mind-boggling raid, a raid that will cut health care benefits, that will increase seniors' costs and threaten the very existence of hospitals, a raid that is designed purely and simply, mathematically, architecturally, self-evidently to pay for tax breaks tilted in favor of the most affluent, comfortable households in our great country.

The reconciliation bill passed at 1 a.m. on Saturday last will cut Medicare by \$270 billion over 7 years. We all know that. We have all been told that this will save Medicare, keep it solvent, make the program stronger. Wrong, Mr. President, wrong and wrong again. The professional experts

in charge of keeping the books for Medicare, the actuaries, the professionals, the people who do this for a living, say that \$89 billion will solve the problem.

That is not the long-term problem. That is the short-term problem, from now through 2006, and then our suggestion would be that we do exactly what Ronald Reagan did, wisely and effectively, in 1981, when he appointed the Social Security Commission which came out in 1983 in fact with a solution for Social Security, a solution which was accepted by the people of this country, accepted by the seniors of this country, accepted by the Congress of this country, both sides of the aisle, because it had been entered into with the understanding that it would be done with the idea of it being fair, nonpolitical and, therefore, worthy of the support of all, including the President of the United States.

It was an extraordinary ability. Senator MOYNIHAN and Senator DOLE were two of the members of that commission. What they did in service to their country and in service to the Social Security commission is little noted, but can never be forgotten by those who understand the consequences of their actions.

Hospitals, doctors, and nurses and other health care providers in every single one of our States believe, with absolutely certainty—they do not equivocate—that cuts of this size, the \$270 billion, will disintegrate the kind of health service that 30 million senior Americans have counted on for three decades, in a program that works, in a program that works in part because, prior to its passage, less than half of Americans had health insurance who were of the senior age.

Why? Because if you are at the senior age and you have any kind of ailments at all, or you are just senior age, you cannot buy health insurance. If you have anything wrong with you at all, you cannot buy health insurance. You can have \$10 million and you cannot buy health care. That is why Medicare took place. Now 99 percent of our senior population has health care insurance. What a wonderful thing that is, what a marvelous thing that is.

I have no way of explaining to my constituents back in West Virginia, to the 330,000 Medicare beneficiaries in my State, why their Medicare deductibles will double, their premiums will skyrocket, and West Virginia hospitals are threatened with the possibility of losing \$25 million in 1996 and more than \$681 million over the next 7 years.

I keep saying I wish this were some kind of a dream. But the threat is real, and it is not a dream. It is written into the pages of the bill that has been passed, unless, of course, we decide to change it. I can only report what I read in this budget package. So, \$270 billion would be cut out of Medicare, \$225 billion will be given—some say \$245 billion, some say \$225 billion—will be given away in tax breaks and giveaways.

Then, Mr. President, there is the \$187 billion which is sliced out of Medicaid, which is integrated into Medicare in its effect on our health care system, leaving the Medicaid system in tatters, as it is chopped up into block grants, something which States, no matter what their Governors might say, do not want—do not want.

Talk to George Voinovich, talk to Christine Whitman, talk to some of those Republican Governors who have the courage to say what they feel. Talk to any of the Democrat Governors. I mean, I was a Governor of my State for 8 years. I know our present Governor does not want any part of it, because all he does now in his regular session, and then special sessions, and then additional special sessions, is try to figure out how to come up with more money to pay for Medicaid. Medicaid is about the only subject they even talk about.

It is true, Mr. President, it is a terrible crisis in our State as it stands today, much less cutting \$187 billion out of it and block granting.

The response on the other side will be that we are exaggerating, we are trying to scare seniors. We do not agree with that. This budget is scary. The seniors I have talked to are scared. And, interestingly, they have become scared at what I would call a very rational pace, if I can explain myself. Some of the groups responsible for communicating with seniors have been rather casual about this whole subject, in my judgment. Indeed, the American Hospital Association for a period of time was rather casual about dealing with this subject.

But, interestingly, seniors began to understand what the consequences to their lives might, in fact, become. They began to get very angry, very angry. And then some of the groups here in Washington started reacting to them. The hospital administrators already were very angry. They were angry months ago. But their association was not listening here in Washington as closely as it could have been. Now they are. And the American Hospital Association very much dislikes, and is very much opposed, and very blatantly and openly opposed, to these kinds of cuts because of what it will do to the hospitals that take care of the sick, including seniors in our country.

#### EXHIBIT 1

[From Merriam Webster's Collegiate Dictionary, 10th edition]

<sup>1</sup>**re-form** \ri-'form\ *vb* [**ME**, fr. **MF** *reformer*, fr. *L. reformare*, fr. *re-* + *formare* to form, fr. *forma* form] *vt* (14c) **1 a**: to put or change into an improved form or condition **b**: to amend or improve by change of form or removal of faults or abuses **2**: to put an end to (an evil) by enforcing or introducing a better method or course of action **3**: to induce or cause to abandon evil ways <-a drunkard> **4 a**: to subject (hydrocarbons) to cracking **b**: to produce (as gasoline or gas) by cracking ~ *vi*: to become changed for the better **syn** see **CORRECT**

#### EXHIBIT 2

[From Merriam Webster's Collegiate Dictionary, 10th edition]

<sup>1</sup>**raid** \rād\ *n* [**ME** (Sc) *rade*, fr. OE *rād* ride, raid—more at **ROAD**] (15c) **1 a**: a hostile or predatory incursion **b**: a surprise attack by a small force **2 a**: a brief foray outside one's usual sphere **b**: a sudden invasion by officers of the law **c**: a daring operation against a competitor **d**: the recruiting of personnel (as faculty, executives, or athletes) from competing organizations **3**: the act of mulcting public money **4**: an attempt by professional operators to depress stock prices by concerted selling <sup>2</sup>**raid** *vi* (1865): to conduct or take part in a raid ~ *vt*: to make a raid on

#### AMENDMENT NO. 3043

Mr. ROCKEFELLER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from West Virginia [Mr. ROCKEFELLER] proposes an amendment numbered 3043.

Mr. MCCAIN. Mr. President, I ask further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Is there objection?

Mr. ROCKEFELLER. I object.

The PRESIDING OFFICER. There is an objection. Objection is heard.

The clerk will read the amendment.

The assistant legislative clerk read as follows:

At the appropriate place insert the following:

It is the sense of the Senate that the conferees on the part of the Senate on H.R. 2491 should not agree to any reductions in Medicare beyond the \$89 billion needed to maintain the solvency of the Medicare trust fund through the year 2006, and should reduce tax breaks for upper-income taxpayers and corporations by the amount necessary to ensure deficit neutrality.

Mr. MCCAIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. MCCAIN. Mr. President, I say to the Senator from West Virginia that I am very disappointed, of course, he would put this amendment on a bill that is very important to the people of his State. He stated the average income of the elderly in the State is \$10,000 a year. It seems to me that he would be eager to, as quickly as possible, give them an opportunity to earn a sufficient amount of money in order to be able to better their living standards and raise their income.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. KERREY. Mr. President, I ask unanimous consent that further proceedings under the quorum call be dispensed with.

Mr. MCCAIN. I object.

The PRESIDING OFFICER. Objection is heard.

The assistant legislative clerk continued with the call of the roll.



Mr. KERREY. Mr. President, I ask unanimous consent that further proceedings under the quorum call be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KERREY. Mr. President, I would like to talk a bit about this bill. I know the Senator from Arizona has worked on this for, I guess, 7 or 8 years now. And I know for at least the time I have been in the Senate this has been an active interest of his, and he has played a very constructive role in raising this earnings test in the past.

Unfortunately, I was not here when he made his opening statement. This is a very—fortunately for all of us who have trouble reading some of these bills—a very short piece of legislation, and I do not want to make any comments on it that are inaccurate. But, as I understand it, what we basically have in the law right now says that for a period of 5 years, from age 65 to 70, there is an earnings test. After 70 there is no earnings test. During that period of 65 to 70 years of age, beneficiaries of Social Security payments are penalized. They have actual reduction in their benefits as they receive income. I think the test is at \$11,200 today.

What this piece of legislation would do is, over time, take that 5-year window, that penalty, up to \$30,000 over a 5-year—

McCAIN. Seven.

Mr. KERREY. 7-year period of time.

Mr. President, in general, I have supported and on a number of occasions have actually voted for raising this earnings test. I must say I have very strong mixed feelings about it. I would like to just talk, and I am not going to offer any amendment at this point in time. When I am through, I will put the Senate back in a quorum call.

I have had the opportunity to examine and spend a great deal of time looking at Social Security as a program. Senator SIMPSON and I, in fact, have developed a piece of legislation, S. 825, that we have introduced in this body to reform the Social Security Program, that has a different purpose than what the Senator from Arizona is attempting to do, and I find myself increasingly sort of obsessed with this issue and talking sometimes when no one particularly cares to hear about it. But I would like to take this opportunity, for a moment, to talk a bit about what I think needs to occur with the Social Security program to improve it for different objectives.

First of all, it must be understood that Social Security is an intergenerational commitment; it is a very strong and powerful commitment.

It is not a retirement fund. There is not an account held for individuals that they own. We have a calculation that you can get. If you send in to the Social Security Administration and ask them, they will tell you how much you have paid in and they will tell you approximately, based upon your current earnings at least, what you are going to be paid when you retire.

It is not a defined contribution system. It is a defined benefit system. We are told what our benefits are, and it is a very progressive system, though the contribution is flat and, as a consequence, I think fairly you can say the contribution system is a regressive system of taxation, which is, interestingly, one of the reasons that a recent poll, that was very controversial, the New York Times did asking a number of questions about the budget reconciliation agreement. The lower the income, the higher the enthusiasm for a tax cut. The lower the income of Americans who are in the work force, the more enthusiastic they were about their tax cut. I argue that is because the payroll tax and the other taxes that lower income people pay who are in the work force tends to actually force them to make painful and difficult choices. That is probably why that is the case.

Nonetheless, it is a regressive tax, but it is a very progressive payment system. That is to say, there are bend points in the calculation which will actually decrease my income from Social Security in order to make sure that people with lower incomes will, over their working life, get a higher payment. We have designed it in that fashion.

So I want to take this opportunity to, again, make it clear to citizens who sometimes write me and say, "I've got an account there; I paid in it all my life; I am getting out what I paid in," that is not true. We are not paid what we pay in. We usually get back more.

The system is designed to provide us with a supplemental source of income. Unfortunately, for a variety of reasons, not the least of which are tax law changes and pension law changes that make it more difficult for people to provide private sector pensions, increasingly people see Social Security as a primary source of income. The percentages are increasing of those who have as their only source of retirement income the Social Security System.

Accurately described, Social Security is a very strong and, I think, correct intergenerational commitment. It is an intergenerational commitment. Every time I give a speech like this, people call and say, "KERREY wants to get rid of Social Security." I do not. It is a very strong commitment that is made on behalf of people who are retired by people who are not retired to allow a fixed percentage of their wages to be taxed and distributed to those who are retired. That is basically what it is.

When it began, the first payment that was made in 1935 took 1 percent of our wages, and the reason it took 1 percent of our wages is the promise to pay was to begin 6 years after normal life expectancy. Normal life expectancy was approximately 59; 65 was the normal eligibility age for Social Security in 1935. Today, it is still 65.

The good news is we are living longer. That is very good news. I do not want anybody to think that I think we

should be dying earlier. I am glad, through medicine, through research, through changes in lifestyles, and so forth, that people are living longer. That is good news. That is my intent, anyway.

But now the promise continues 11 years after the age of 65. Normal life expectancy is now 11 years beyond this normal eligibility age, which is age 65. There is an early eligibility age of 62 and there is a normal eligibility age of 65 written into law, both of them begin considerably before normal life expectancy ends.

It would be bad enough if we were dealing with sort of constant numbers in terms of the number of people retiring, but we are not. My generation did not have as many children as our parents thought we were going to have. So, when the baby boomers start to retire in 2008—60 million of us, by the way—if anybody doubts this problem is caused by Ronald Reagan, George Bush, or Bill Clinton, it is a demographic problem not caused by any political leader; it was caused by a generation.

(Ms. SNOWE assumed the chair.)

Mr. KERREY. Madam President, the point I am trying to make here is we have a tremendous problem with Social Security. The longer we wait to address it, the more difficult it is to address, and the problem is a demographic problem.

The problem is also one of perception. Many citizens are of the view that Social Security is a fund that is held for them and it is available to them when they retire. That is not what it is. We pay into it, but it is an intergenerational commitment made by people who are in the work force today to allow a fixed percent of their wages to go to people who are out of the work force. It is a contract. It is a contractual arrangement, and everybody out there in America, whether they are currently eligible or will be eligible in the future, understands that contract is there for them.

There are really 260 million Social Security beneficiaries. It is just that 30-some million are currently eligible. All the rest will be eligible. All Social Security beneficiaries up to about the year about 2006 or so are currently alive. What you have to do is look and ask, "Not only can I write the checks today, but how am I going to do in the future?"

In 1983 when we changed the law, what we did for the first time was break the pay-as-you-go system and create, in effect, a system where the reserve is going to build up to a very large amount. Unfortunately, we have been borrowing it and using it to pay budget bills since 1983. But that number drives up to a very large amount and then drives down starting at about the year 2013 until the fund is completely expended in 2029.

When I say 2029, people say, "Fine, let's just wait until 2029." Madam



President, the longer you wait, the bigger the adjustment is. We may be able to jog and we may be able to quit smoking or drink in moderation, whatever you want to do to hopefully extend your life, but you do not get those years back. When you are trying to take advantage of compounding interest rates in a savings, a collective savings, time is not on your side. Every year you wait, you do not get that year back.

The people who will pay the price for it are not the current retirees, but it will either be future retirees or my children who are going to be scratching their heads trying to figure out, "Do I cut dad's Social Security payment substantially or do I have my taxes go up in a rather substantial fashion?"

We are going to see a decline in the number of workers per retirees starting in the year 2008 that is without precedent. There is no precedent for it, and there is no possibility we are going to see gains in productivity that are sufficient to be able to allow less than three workers per retiree to be able to produce what five workers per retiree are producing today.

Madam President, there is a need for us to change this trend line of Social Security payments so that we can say to all beneficiaries—those who are eligible today and those who are eligible in the future—that we are going to be able to write your checks.

Today, you cannot say that. Today, if you look at somebody under 40, you have to say to them, "The current law will not allow me to write a check to you. I am going to have to make an adjustment." The longer I wait, the bigger the adjustment; the longer I wait, the higher the taxes have to be or the larger the cuts have to be in current beneficiaries. That is problem No. 1.

Problem No. 2 with Social Security is that it is a very rigid system. The legislation of the Senator from Arizona addresses one part of that rigidity. That is, we have a rule, a Federal rule—a law, actually—that the Senator is trying to change that says for a 5-year period of time, from age 65, which is normal eligibility age. It is not normal retirement. You can wait to retire or you can retire early or retire any time you want, but you are eligible for a payment from the Federal Government, full payment at 65 and an early smaller payment at age 62. The rules say I have to wait until I am 65 to get a payment, and for 5 years, if my income exceeds \$11,200 a year, you are going to reduce the payment that I get.

It is a very rigid system. I believe what needs to occur and what Senator SIMPSON and I have done with our legislation is said, let us change the law so that 2 percent—we start with 2—so that 2 percent of the 12-percent payroll tax goes into a personal investment plan for individuals when they start working that has three big advantages: First, a much higher rate of return. Let it be known to all citizens that one of the problems we have with Social

Security is they are invested in non-negotiable Treasuries, the lowest possible rate of return that you can have out there.

The lowest possible rate of return that we have—less than 2 percent and closer to 1 percent—does not even double twice during the course of a 45-year working life. It doubles once, that is all. A higher rate of return. In the FERS account, it is not unusual for our employees to say they expect to get 8 to 10 percent when compounding it. That means they are going to get a doubling, over a 45-year period, of six times—a substantial increase as a consequence of taking advantage of a higher rate of interest.

Secondly, Madam President, the advantage is that it is more flexible. Some people have attacked the proposal that I have made, saying that we are going to adjust the eligibility age from 65 to 70, which we do. It does not affect anybody, by the way, over the age of 50, that is not in the baby-boom generation, that is already retired, or will retire during the next 10, 15 years. We do increase the eligibility age. But by establishing this personal investment plan, we give something to the individual that they own and can take at age 59½ under the current individual retirement account law.

So the second thing is that it is more flexible. You can tailor it to your own needs, rather than being dependent upon Congress changing the law to satisfy whatever your individual requirements are.

Third, Madam President, we do change it so that you own it. Unlike the current system, if you happen to, unfortunately, not make it to age 65—let us say at age 64 you die—all those moneys that you paid in go to somebody else. You do not get anything out of it. It is a collective pool. Under our proposal, the individual owns it. They have an asset. Done correctly, it can be a way for us to help Americans of all incomes acquire wealth—\$1,200 a year, dedicated into an average savings account over a 45-year period, will convert that individual into a millionaire.

Well, Madam President, that is exactly what 12 percent payroll tax is on \$10,000 worth of wages. So there are other changes that I believe are more important than the earnings test if we are going to be able to say to all beneficiaries, whether you retire today or in the future, that the promise we have on the table we are going to be able to make and we are going to be able to keep; secondly, to convert that system into one that brings a higher return and that individual owns it. It seems like the system we set up 60 years ago needs to be adjusted in more ways than just raising the earnings test.

I yield the floor.

Mr. KYL. Madam President, I rise as an original cosponsor of S. 1372, introduced by Senator JOHN MCCAIN and Majority Leader DOLE. It is time to lift the senior citizens earnings limitation off the backs of America's and Arizo-

na's senior citizens. This legislation would gradually raise the limitation to \$30,000 between 1996 and 2003, and would thereafter index for inflation.

During the 1992 Presidential campaign, President Clinton said that America must "lift the Social Security earnings test limitation so that older Americans are able to help rebuild our economy and create a better future for us all." I could not agree more. Yet, despite the continued urging of many Members of Congress and millions of Americans, the President appears reluctant to make good on this campaign promise. So, it has fallen to Senator MCCAIN once again to pursue this issue, as he has for so long.

The Social Security earnings limitation [SSEL] was created during the Depression in order to move older workers out of the labor force and to create job opportunities for younger workers. Obviously, this situation no longer exists. Currently, under the SSEL, senior citizens aged 62 to 64 lose \$1 in benefits for every \$2 they earn over the \$8,040 limit. Seniors aged 65 to 69 lose \$1 in benefits for every \$3 they earn over \$11,160 annually. When combined with Federal and State taxes, a senior citizen earning just over \$10,000 per year faces an effective marginal tax rate of 56 percent.

Moreover, when combined with the President's tax on Social Security benefits passed in 1993, a senior's marginal tax rate can reach 88 percent—twice the rate millionaires pay.

If enacted, this legislation would gradually repeal the earnings test and would allow seniors to continue to work to meet their needs without penalty.

Some lawmakers apparently forget that Social Security is not an insurance policy intended to offset some unforeseen future occurrence; rather, it is a pension with a fixed sum paid regularly to the retirees who made regular contributions throughout their working lives. Social Security is a planned savings program to supplement income during an individual's retirement years.

I believe no American should be discouraged from working. Such a policy violates the principles of self-reliance and personal responsibility on which America was founded. Regrettably, America's senior citizens are severely penalized for attempting to be financially independent. When senior citizens work to pay for the high cost of health care, pharmaceuticals, and housing, they are penalized like no other group in our society.

Senior citizens possess a wealth of experience and expertise acquired through decades of productivity in the workplace. Companies hiring seniors have noted their strong work ethic, punctuality, and flexibility. Their participation in the work force can add billions of dollars to our Nation's economy. To remain competitive in the global marketplace, America needs for its senior citizens to be involved in the

economy: working, producing, and paying taxes to the Federal Government. A law which discourages this is not just bad law, it is wrong—and it hurts not only seniors but all Americans.

• Mr. HATFIELD. Madam President, this legislation would provide the flexibility and opportunity for older Americans to remain productive citizens of this Nation. I do not believe that older Americans should be penalized for their ability and willingness to remain active and productive members of society. The current earnings test arbitrarily mandates that a person retire at the age of 65 or face losing benefits. I do not believe that any person who desires to work should be dissuaded from pursuing the goal of employment due to the Tax Code. Finally, let us not forget the hazards our low income senior citizens face who do not possess a pension fund or retirement plan. Low-income seniors who are working out of necessity and face a severe tax penalty should not be penalized for no other reason than their age. For these reasons I support S. 1372 which would increase the earnings limit for seniors.

Unfortunately this legislation to correct that inequity was paid for by using discretionary Federal dollars. In the last 30 years we have seen discretionary Federal outlays, as a percentage of this country's gross national product, plummet from over 14 to 8 percent in 1994. Moving money from discretionary accounts to mandatory accounts is moving us in the wrong direction. I look forward to voting to correct this inequity in the Tax Code at a latter date when discretionary spending accounts are not used to offset the cost. •

Mr. GRAMS. Madam President, I want to commend the Senator from Arizona, Senator MCCAIN, for his leadership on this issue and ask unanimous consent to have my name added as a cosponsor to the Senior Citizens' Freedom to Work Act.

As a longtime proponent of an all-out repeal of the earnings limit, I am pleased the Senate is taking action on eliminating the additional burden President Clinton placed upon our seniors in his 1993 tax bill.

The current Social Security earnings test penalizes senior citizens by reducing their benefits if they continue working beyond retirement age and earn over \$11,160 per year. For every \$3 earned above that, they are forced to send \$1 back to the Federal Government. That is unfair.

While repeated attempts have been made to repeal this seniors' penalty, or to at least substantially raise the earnings limit so that senior citizens can continue to contribute to society, the Clinton administration and the leaders of the previous Congress prevented any measures from passing. Today, we have an opportunity to prove that things have changed, and the Senate can do that by passing S. 1372 and providing some overdue tax relief to our seniors.

I wanted to share with my colleagues some of the letters I have received from Minnesota seniors on this issue.

One constituent of Pierz, MN, writes:

I cannot afford to start drawing my Social Security because of the earnings limit penalty. . . . If allowable earnings were increased to \$30,000 as the Republican plan proposes, consider all the additional Social Security taxes that would be collected. Also consider all the additional income taxes that would be collected by the federal and state governments. We, as Seniors on this issue, need YOUR HELP.

A senior citizen from Eden Prairie shared a copy of a letter he sent to one of my colleagues. "I wrote in 1993 regarding my concern over Social Security income being taxed," said the original letter. "Not only was 50 percent of it then being taxed . . . but the Clinton budget plan increased the amount subjected to tax to 85%." The response this Senator received from my colleague was that he supported President Clinton's 1993 tax plan because it was "fair."

Madam President, I stand before you today because Clinton's assault on this Nation's senior citizens in 1993 was not fair. It is blatant discrimination against 700,000 older Americans. Furthermore, it discourages seniors from working, robbing businesses of skilled and experienced workers.

Today, we have an opportunity to restore fairness, and to deliver on the promise we made to seniors. Therefore, I urge my colleagues to support the Senior Citizens' Freedom to Work Act.

#### MIDDLE EAST PEACE EXTENSION

Mr. DOLE. Madam President, I have had a discussion with Senator DASCHLE regarding this.

I send an original bill to the desk on behalf of myself and the Senator from South Dakota, Senator DASCHLE, regarding the Middle East peace extension, and I ask unanimous consent that it be immediately considered, that the bill be considered read the third time, passed, and the motion to reconsider be laid upon the table.

The PRESIDING OFFICER. Without objection, it is so ordered.

So the bill (S. 1382) was passed, as follows:

#### S. 1382

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That—*

(a) IN GENERAL.—Section 583(a) of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995 (Public Law 103-236), as amended, is amended by striking "November 1, 1995" and inserting "December 1, 1995".

(b) CONSULTATION.—For purposes of any exercise of the authority provided in section 583(a) of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995 (Public Law 103-236) prior to November 15, 1995, the written policy justification dated June 1, 1995, and submitted to the Congress in accordance with section 583(b)(1) of such Act, and the consultations associated with such policy justification, shall be deemed to satisfy the requirements of section 583(b)(1) of such Act.

Mr. DASCHLE. Madam President, I know we are in the middle of a debate.

I will not take long. I commend the majority leader for his work and the leadership he has shown to bring us to this point. This legislation is critical and overdue, and we needed to pass it. I think it enjoys broad bipartisan support, and separating it from other issues relating to our agenda, I think, is important. In this case, we were able to accommodate all Senators. I appreciate the work done by the distinguished Senator from Massachusetts in accommodating these needs. Again, I appreciate the effort of the majority leader.

Mr. DOLE. Mr. President, I, in turn, would like to thank Senator HELMS for his cooperation. I know he has been trying and trying to get the State Department bill passed. He is working in good faith. We expect that a managers' amendment will be agreed on shortly and that the Senate will pass a modified version of his legislation. I am pleased that the chairman has lifted his objection, and that we can pass a clean MEPFA, Middle East peace facilitation extension—at least in the Senate. I hope it can be taken up in the House.

#### FIRST SESSION OF THE 104TH CONGRESS—STATISTICS

Mr. DOLE. Mr. President, this may be of interest to all my colleagues. We thought they might be interested in a statistical comparison from January through October 31 of the first session of the previous four Congresses to this current first session of the 104th Congress. The comparison contains the number of session hours, rollcall votes conducted, and measures passed in the Senate.

In the first session of the 104th Congress, the Senate has already conducted 558 rollcall votes, as compared to the first session of the last four Congresses, as follows: 100th Congress, 362 rollcall votes; 101st Congress, 279 rollcall votes; 102d Congress, 241 rollcall votes; 103d Congress, 342 votes.

In this first session alone, the Senate conducted 119 rollcall votes just on the budget resolution and reconciliation bill, and we are not finished yet.

Actual session hours for the first session are 2 minutes' shy of 1,548 hours, as compared to the 100th Congress, 1,026 hours; 101st Congress, 861 hours; 102d Congress, 1,014 hours; 103d Congress, 1,091 hours.

The final statistic I will share with my colleagues is the number of measures passed in the Senate in the first session of the various Congresses. In this first session, the Senate passed 259 legislative measures, as compared to 477 in the 100th Congress; 452 in the 101st Congress; 476 in the 102d Congress; 356 in the 103d Congress.

Needless to say, this session has been historical in many ways, including the number of rollcall votes conducted in one day.

The good news is that we have not passed as many legislative measures as